

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2001

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
December 31, 2001 and 2000

	<u>12/31/2001</u>	<u>12/31/2000</u>
		<u>Exhibit A</u>
Assets		
Cash and cash equivalents	\$ 13,913,378	\$ 20,461,991
Accrued interest		
Investments	1,044,148	687,908
Treasurer	<u>126,885</u>	<u>264,140</u>
Total accrued interest	<u>1,171,033</u>	<u>952,048</u>
Receivables		
Escheated estates	130,048	288,981
Fines and penalties	339,228	356,151
Purchased Interest	<u>60,942</u>	<u>-</u>
Total receivables	<u>530,218</u>	<u>645,132</u>
Investments		
Land contracts	120	120
U.S. Government securities	<u>76,651,777</u>	<u>64,690,867</u>
Total investments	<u>76,651,897</u>	<u>64,690,987</u>
Land held by State Land Office	<u>2,977</u>	<u>2,977</u>
Total Assets	<u><u>\$ 92,269,503</u></u>	<u><u>\$ 86,753,135</u></u>
Liabilities		
Due the Distributive School Account	<u>\$ 3,947,556</u>	<u>\$ 4,953,603</u>
Fund balances	<u>88,321,947</u>	<u>81,799,532</u>
Total Liabilities and Fund Balances	<u><u>\$ 92,269,503</u></u>	<u><u>\$ 86,753,135</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA

PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Quarter and Six Months Ended December 31, 2001

	Quarter Ended 12/31/2001	Exhibit B Six Months Ended 12/31/2001 (Restated)
Operating Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 737,276	\$ 1,460,694
District Courts	166,250	358,108
Other Fines and Penalties	<u>5,000</u>	<u>10,000</u>
Total fines	908,526	1,828,802
Investment income	114,603	3,947,557
Land sales	653,685	773,172
Miscellaneous	<u>29</u>	<u>8,783</u>
Total operating revenues/income	<u>1,676,843</u>	<u>6,558,314</u>
Operating Transfers		
Transfer from (to) Escheated Estates Fund	11,986	(51,000)
Transfer to Distributive School Account	<u>(114,603)</u>	<u>(3,947,557)</u>
Net operating transfers	<u>(102,617)</u>	<u>(3,998,557)</u>
Net income	<u>1,574,226</u>	<u>2,559,757</u>
Fund balances, beginning of period, as previously reported	86,747,721	85,926,992
Prior period adjustment	<u>-</u>	<u>(164,802)</u>
Fund balances, beginning of period, as restated	<u>86,747,721</u>	<u>85,762,190</u>
Fund balances, December 31	<u><u>\$ 88,321,947</u></u>	<u><u>\$ 88,321,947</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

STATEMENTS OF CASH FLOWS
For the Quarter and Six Months Ended December 31, 2001

	<u>Quarter Ended 12/31/2001</u>	<u>Exhibit C Six Months Ended 12/31/2001</u>
Cash flows from operating activities:		
Justice Court fines	\$ 740,991	\$ 1,473,187
District Court fines	155,244	363,493
Other fines and penalties	5,000	10,000
Public land sales	653,685	773,172
Miscellaneous income	29	8,781
Net cash provided by operating activities	<u>1,554,949</u>	<u>2,628,633</u>
Cash flows from noncapital financing activities:		
Operating transfer in	-	66,868
Operating transfer out	-	(3,121,078)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(3,054,210)</u>
Cash flows from investing activities:		
Purchase of Investments	(12,613,661)	(12,613,661)
Sale of Investments	12,482,325	12,482,325
Treasurer's interest distribution	135,302	402,898
Investment interest	1,075,105	2,173,136
Purchased interest	(60,942)	46,683
Net cash provided by investing activities	<u>1,018,129</u>	<u>2,491,381</u>
Net increase (decrease) in cash and cash equivalents	2,573,078	2,065,804
Cash and cash equivalents at beginning of period	<u>11,340,300</u>	<u>11,847,574</u>
Cash and cash equivalents at end of period	<u>\$ 13,913,378</u>	<u>\$ 13,913,378</u>
Reconciliation of net operating income to cash provided by operating activities		
Total operating income	\$ 1,676,843	\$ 6,558,314
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease (increase) in accrued receivables	(7,291)	17,876
Investment income reported as operating income	<u>(114,603)</u>	<u>(3,947,557)</u>
Net cash provided by operating activities	<u>\$ 1,554,949</u>	<u>\$ 2,628,633</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund which apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at December 31, 2001 were:

School District	Issue Date	Original Amount	Balance
White Pine County	March 1, 1998	7,510,000	7,510,000
Douglas County	April 1, 1998	8,710,000	8,440,000
Nye County	April 1, 1999	17,545,000	15,540,000
Churchill County	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	9,000,000
Lyon County	February 1, 2001	12,000,000	12,000,000
Mineral County	June 1, 2001	4,425,000	4,425,000
Churchill County	December 1, 2001	4,565,000	4,565,000

REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)

(REVENUE SOURCES, Continued)

- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO FINANCIAL STATEMENTS**

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended December 31, 2001, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,706,648. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended December 31, 2001, funds held by the State Treasurer earned interest at an effective rate of 3.76 percent.

Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Prior Period Adjustment:

For periods through June 30, 2000, the estimate of escheated estates expected to lapse was 42%, with the remaining 58% expected to be repaid to heirs. The percentages were recalculated, based on historical data, for the year ended June 30, 2001. Using the revised estimates, 22% of escheated estates are expected to lapse, and 78% are expected to be repaid to heirs. This adjustment reflects the effect of that recalculation.

STATE OF NEVADA
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SCHEDULE OF INVESTMENTS
December 31, 2001

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,340,600
Fed. Farm Credit Bank	5.150	3/5/04	6,000,000	6,218,400	6,205,320
Fed. Home Loan Bank Note	6.905	10/18/04	10,000,000	9,837,600	10,362,500
Fed. Home Loan Bank Note	5.850	2/6/06	12,500,000	12,511,719	12,890,625
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,161,730
Fed. Home Loan Bank Note	2.300	10/7/02	4,527,000	4,435,894	4,457,284
Fed Home Loan Mgt. Corp.	6.050	2/7/06	10,000,000	10,000,000	10,290,600
Fed Home Loan Mgt. Corp.	2.300	10/10/02	2,000,000	1,959,367	1,962,920
Fed National Mortgage Assoc.	5.750	2/15/08	<u>10,675,000</u>	<u>9,760,953</u>	<u>10,980,198</u>
Total Fixed Income Securities			<u>\$ 74,702,000</u>	73,605,473	76,651,777
Fixed Income Contracts					
Land Contract	6.000	7/18/99		<u>120</u>	<u>120</u>
Total Investments				<u>\$ 73,605,593</u>	<u>\$ 76,651,897</u>

STATE OF NEVADA

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Six Months Ended December 31, 2001

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2001	Six Months Ended 12/31/2001
Carson City	\$ 14,072	\$ 25,306
Churchill	11,235	25,019
Clark	299,454	600,638
Douglas	10,258	15,215
Elko	21,187	48,683
Esmeralda	1,080	5,422
Eureka	3,306	10,605
Humboldt	-	-
Lander	1,015	1,795
Lincoln	2,150	6,797
Lyon	23,862	45,856
Mineral	132	132
Nye	32,715	71,216
Pershing	1,035	2,025
Storey	-	-
Washoe	312,965	597,425
White Pine	2,810	4,560
Total	<u>\$ 737,276</u>	<u>\$ 1,460,694</u>

STATE OF NEVADA

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Six Months Ended December 31, 2001

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/01	Six Months Ended 12/31/01
Carson City	\$ 4,187	\$ 7,734
Churchill	1,695	5,013
Clark	84,647	166,935
Douglas	5,425	10,058
Elko	12,685	32,214
Esmeralda	5,765	6,130
Eureka	-	-
Humboldt	1,626	3,105
Lander	1,555	2,665
Lincoln	665	1,086
Lyon	2,760	6,717
Mineral	725	2,310
Nye	2,730	6,288
Pershing	450	883
Storey	25	25
Washoe	38,867	98,933
White Pine	2,443	8,012
Total	<u>\$ 166,250</u>	<u>\$ 358,108</u>

STATE OF NEVADA

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended December 31, 2001

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
U.S. Treasury Note	7.500	\$ 5,000,000	\$ 46,853
Fed Farm Credit Bank	6.000	10,000,000	150,000
Fed Farm Credit Bank	5.150	6,000,000	25,750
Fed. Home Loan Bank Note	6.905	10,000,000	143,854
Fed. Home Loan Bank Note	5.850	12,500,000	182,813
Fed. Home Loan Bank Note	5.125	9,000,000	103,781
Fed. Home Loan Bank Note	2.300	4,527,000	8,677
Fed Home Loan Mgt. Corp.	6.875	6,500,000	75,720
Fed Home Loan Mgt. Corp.	6.050	10,000,000	151,250
Fed Home Loan Mgt. Corp.	2.300	2,000,000	3,833
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.770	1,000,000	11,415
Total interest on investments			<u>1,057,399</u>

Second quarter Treasurer's distribution 126,885

Total interest 1,184,284

Change in fair value of investments:

Second quarter change in fair value of investments (1,069,681)

Total investment income earned for the quarter ended December 31, 2001 \$ 114,603